



Request for City Council Committee Action from the Departments of Finance and Property Services and Public Works

Date: June 18, 2013

To: Council Member Sandy Colvin Roy, Chair, Transportation & Public Works Committee
Council Member Betsy Hodges, Chair, Ways & Means/Budget Committee

Subject: Establishment of Project Area and Value Capture District for Streetcar Financing

Recommendation: Adopt the attached resolution establishing a project area and value capture district for streetcar financing.

Previous Directives: On April 2, 2010, the City Council approved a long-term streetcar network and authorized staff to engage partner agencies and private stakeholders to determine whether the City should enter into the federal project development process.

Department Information

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Approved by:	Kevin Carpenter, Chief Financial Officer _____
	Steven A. Kotke, P.E., Director of Public Works _____
	Paul Aasen, City Coordinator _____
Presenters in Committee:	Sandy Christensen, Deputy CFO and Charleen Zimmer, Interim Project Manager

Financial Impact

- No financial impact to the 2013 City Budget. Establishment of the value capture district will begin to generate revenue for streetcar-related activities beginning in 2014.

Community Impact

- Neighborhood Notification: Public outreach was carried out during the preparation of the Streetcar Feasibility Study, which was adopted in 2007. There has been extensive public participation in the streetcar alternatives analysis process since Fall 2012, through interviews, open houses, stakeholder organization meetings and an online survey. Formal notification to neighborhood organizations prior to establishment of the project area and value capture district is not required.
- City Goals: Jobs & Economic Vitality - Planes, trains and streetcars move goods and workers smartly; Strong commercial corridors, thriving business corners. Livable Communities, Healthy Lives - Equitable, integrated transit system.

Supporting Information

Special legislation passed in the 2013 session authorizes the City of Minneapolis to dedicate property tax revenues from selected parcels near a proposed streetcar line along Nicollet and Central Avenues to help pay costs associated with construction of the line. In an approach similar to tax increment financing, a "value capture district" may be established to enable the City to capture the growth in value from properties that will benefit from the streetcar line to pay a portion of the local share of capital costs of the line.

Streetcar Planning

In late 2007, the City completed a streetcar feasibility study that identified a long-term network of seven modern streetcar corridors. In 2010, the City completed a funding study that explored options for funding streetcar implementation. In 2010, the City Council prioritized the Nicollet Avenue and Central Avenue corridors as the best place to start implementation of the long-term network and directed staff to seek grant funds to conduct an Alternatives Analysis study for the Nicollet-Central Corridor. The City was subsequently awarded a \$900,000 competitive grant from the Federal Transit Administration to conduct the Alternatives Analysis. Work on the Nicollet-Central Alternatives Study began in summer 2012 and is anticipated to be concluded in summer 2013.

2013 Legislation

Laws of Minnesota 2013, Chapter 143, Article 9, Section 20 grants authority to the City to establish, by resolution, a project area consisting of one city block on either side of a streetcar line designated by the City to serve the downtown and adjacent neighborhoods of the city and a value capture district consisting of some or all of the taxable parcels located within one or more areas of the city as described in the legislation.

The legislation provides that, in addition to paying for reasonable administrative costs of the value capture district, the City may spend revenues of the district for:

- Planning, design and engineering services related to construction of the streetcar line.
- Acquiring property for, constructing and installing a streetcar line.
- Acquiring and maintaining equipment and rolling stock and related facilities.
- Acquiring, constructing or improving transit stations.
- Acquiring or improving public space, including the construction and installation of improvements to streets and sidewalks, decorative lighting and surfaces, and plantings related to the streetcar line.

Tax revenues of the value capture district may not be used for the operation of the streetcar line.

The City may issue bonds or other obligations under Minnesota Statutes, Chapter 475, without an election, to fund acquisition or improvement of property of a capital nature authorized by the legislation, including any costs of issuance. The City may also issue bonds or other obligations to refund those bonds or obligations. Payment of principal and interest on the bonds or other obligations issued under the legislation is a permitted use of the District's revenues.

A copy of the legislation is attached as Exhibit 1.

Project Area

The project area will include one city block on either side of the Nicollet-Central streetcar line extending from 46th Street and Nicollet Avenue on the south, through Nicollet Mall in downtown Minneapolis, and to the northern city limit at 37th Avenue Northeast via Central Avenue Northeast, as shown on the attached map. Routing decisions at Lake Street and the Mississippi River have yet to be finalized. A map showing the project area is attached as Exhibit 2.

Value Capture District

The value capture district will consist of all of the taxable parcels located within the following described areas, which are numbered to correspond to their descriptions in the legislation and on the map attached as Exhibit 3:

1. The area bounded by Nicollet Avenue on the west, 16th Street East on the south, First Avenue South on the east, and 14th Street East on the north.
2. The area bounded by Spruce Place on the west, 14th Street West on the south, LaSalle Avenue on the east, and Grant Street West on the north.
3. The area bounded by Nicollet Avenue or Mall on the west, Fifth Street South on the south, Marquette Avenue on the east, and Fourth Street South on the north.
4. The area bounded by First Avenue North on the west, Washington Avenue on the south, Hennepin Avenue on the east, and Second Street North on the north
5. The area bounded by Fifth Street Northeast on the west, Central Avenue Northeast on the southeast, Sixth Street Northeast on the east, Hennepin Avenue East on the south, and First Avenue Northeast on the north.

Addresses and property identification numbers of the parcels included within these areas are listed in the attached resolution.

Streetcar Financing

Under the current timeline, the district would be approved by the City Council in late June of 2013 and a request for certification of the district would be made to Hennepin County on or before June 30, 2013. This would ensure that the base value of the district would be recorded at its lowest value, and result in the maximum amount of annual tax revenue. In this case tax revenues from the district would be generated starting in 2014 (approximately \$150,000). If the request for certification happens on or after July 1, 2013, then the base value of the district would be higher, annual tax revenues from the district would be lower and not begin until 2015. The City may collect tax revenues from the district for no more than 25 years.

Some of the parcels in the district are currently under development while others are in the planning stage. The vast majority of known or planned development is for market-rate apartments. This includes the Magellan Tower (355 units), Nic on Fifth (253 units), 4Marq Tower (262 units), 222 Hennepin (former Jaguar site) (286 units), and Red20 (former Totino's site) (130 units). Commercial development may include an Xcel office building and other small retail space in the apartment buildings.

If all of the proposed development occurs in the next 3-4 years, it is projected that the district could generate approximately \$5 million in annual tax revenue by 2018. This revenue could

pay debt service on general obligation bonds that could be issued by the City in the next several years. The exact size of this bond issue is not currently known. Proceeds of the bond issue could be used to help pay for a portion of the construction costs of the streetcar line and other related costs that are specified in the special legislation authorizing the establishment of the district. A mix of other revenue sources would also need to be identified in the future to fund the overall project.

Next Steps

Upon adoption, approval and publication of the attached resolution, the City will submit a request to Hennepin County to certify the identified properties for calculation of the value capture district's property tax revenues.

Attachments: Resolution
Exhibit 1 – Special Legislation
Exhibit 2 – Project Area Map
Exhibit 3 – Value Capture District Map